

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Metamora	County Lapeer
Audit Date 3/31/05	Opinion Date 7/20/05	Date Accountant Report Submitted to State: 8/26/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

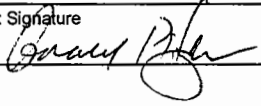
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Hyzer, Hill, Kuzak & Co., P. C.			
Street Address 1242 Sand Beach Road	City Bad Axe	State MI	ZIP 48413
Accountant Signature 		Date 8/24/05	

VILLAGE OF METAMORA
LAPEER COUNTY, MICHIGAN

FINANCIAL REPORT
YEAR ENDED MARCH 31, 2005

	<u>Page Number</u>
<i>Independent Auditors' Report</i>	1
<i>Basic Financial Statements</i>	
Statement of Net Assets	3
Statement of Activities	4
Governmental Funds – Balance Sheet	6
Reconciliation of Fund Balance on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets	7
Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances	8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	9
Proprietary Funds Statement of Net Assets	10
Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets	11
Proprietary Funds Statement of Cash Flows.....	12
Fiduciary Funds Statement of Net Assets	14
Notes to Financial Statements.....	15
<i>Required Supplementary Information</i>	
General Fund Budgetary Comparison Schedule	28
Special Revenue Funds Budgetary Comparison Schedule	30
Blended Component Units Budgetary Comparison Schedule	32
<i>Supplementary Information</i>	
Schedule of Bond Indebtedness Sanitary Sewer System Revenue Bonds.....	33
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	34

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Bruce Hill
Donald Kuzak
Michael Doerr

INDEPENDENT AUDITORS' REPORT

To the Village Council
Village of Metamora, Michigan

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Village of Metamora, Michigan, as of and for the year ended March 31, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Metamora's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Village of Metamora as of March 31, 2005, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedules as identified in the table of contents are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Metamora's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

As described in Note 12, the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and related statements as of April 1, 2004.

Hyger, Hill, Hunsake & Co. P.C.

July 20, 2005

BASIC FINANCIAL STATEMENTS

Village of Metamora, Michigan
**Statement of Net Assets
March 31, 2005**

	Primary Government		Total
	Governmental Activities	Business type Activities	
Assets			
Cash and cash equivalents, unrestricted	\$ 1,062,864	\$ 125,647	\$ 1,188,511
Cash and cash equivalents, restricted	-	242,281	242,281
Receivables, unrestricted - net of allowance	5,282	11,796	17,078
Receivables, restricted - net of allowance	-	8,009	8,009
Due from other governments	9,432	-	9,432
Long-term contract, restricted	-	75,550	75,550
Internal balances	113,536	(113,536)	-
Unamortized bond costs	-	17,610	17,610
Capital assets, net	270,448	3,799,350	4,069,798
Total assets	1,461,562	4,166,707	5,628,269
Liabilities			
Accounts payable	8,410	4,331	12,741
Accrued payroll and liabilities	1,950	-	1,950
Accrued interest	-	16,400	16,400
Noncurrent liabilities:			
Revenue bonds due within one year	-	15,000	15,000
Revenue bonds due in more than one year	-	641,000	641,000
Total liabilities	10,360	676,731	687,091
Net Assets			
Investment in capital assets, net	270,448	3,143,350	3,413,798
Restricted:			
Debt service	-	309,440	309,440
Unrestricted	1,180,754	37,186	1,217,940
Total net assets	\$ 1,451,202	\$ 3,489,976	\$ 4,941,178

The notes to financial statements are an integral part of this statement.

Village of Metamora, Michigan

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental activities:			
General government	\$ 96,313	\$ -	\$ -
Public works	88,598	-	41,941
Total governmental activities	184,911	-	41,941
Business type activities:			
Water and sewer	206,329	174,064	63,000
Interest on long-term debt	29,897	-	-
Total business type activities	236,226	174,064	63,000
Total primary government	\$ 421,137	\$ 174,064	\$ 104,941

General revenue:

Property taxes
State sources
Unrestricted investment income
Miscellaneous revenue

Total general revenue

Change in net assets

Net assets, beginning of year

Net assets, end of year

The notes to financial statements are an integral part of this statement.

Statement of Activities
For the Year Ended March 31, 2005

Net (Expense) Revenue and Change in Net Assets		
Primary Government		
Governmental Activities	Business type Activities	Total
\$ (96,313)	\$ -	\$ (96,313)
(46,657)	-	(46,657)
(142,970)	-	(142,970)
-	30,735	30,735
-	(29,897)	(29,897)
-	838	838
(142,970)	838	(142,132)
276,565	-	276,565
40,807	-	40,807
10,111	8,203	18,314
21,165	-	21,165
348,648	8,203	356,851
205,678	9,041	214,719
1,245,524	3,480,935	4,726,459
<u>\$ 1,451,202</u>	<u>\$ 3,489,976</u>	<u>\$ 4,941,178</u>

The notes to financial statements are an integral part of this statement.

Village of Metamora, Michigan
**Governmental Funds
Balance Sheet
March 31, 2005**

	Major Funds				
	General	Major Street	Local Street	Downtown Development Authority	Total Governmental Funds
Assets					
Assets					
Cash and cash equivalents	\$ 196,606	\$ 11,288	\$ 52,603	\$ 802,367	\$ 1,062,864
Receivables:					
Taxes	5,282	-	-	-	5,282
Other governmental units	5,855	2,867	710	-	9,432
Due from other funds	5,000	-	-	111,927	116,927
Total assets	<u>\$ 212,743</u>	<u>\$ 14,155</u>	<u>\$ 53,313</u>	<u>\$ 914,294</u>	<u>\$ 1,194,505</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 6,410	\$ 1,250	\$ 750	\$ -	\$ 8,410
Accrued payroll and liabilities	1,950	-	-	-	1,950
Due to component unit	3,391	-	-	-	3,391
Total liabilities	11,751	1,250	750	-	13,751
Fund Balances					
Restricted:					
Other purposes	-	12,905	52,563	-	65,468
Unrestricted	200,992	-	-	914,294	1,115,286
Total fund balances	<u>200,992</u>	<u>12,905</u>	<u>52,563</u>	<u>914,294</u>	<u>1,180,754</u>
Total liabilities and fund balances	<u>\$ 212,743</u>	<u>\$ 14,155</u>	<u>\$ 53,313</u>	<u>\$ 914,294</u>	<u>\$ 1,194,505</u>

The notes to financial statements are an integral part of this statement.

Village of Metamora, Michigan

**Reconciliation of Fund Balance on the Balance Sheet for
Governmental Funds to Net Assets of Governmental Activities
on the Statement of Net Assets
March 31, 2005**

Total fund balances, governmental funds			\$ 1,180,754
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
Capital assets	334,488		
Accumulated depreciation	<u>(64,040)</u>	<u>270,448</u>	
Net assets, governmental activities			<u>\$ 1,451,202</u>

The notes to financial statements are an integral part of this statement.

Village of Metamora, Michigan

Governmental Funds
Statement of Revenue, Expenditures, and Changes in Fund Balances
For the Year Ended March 31, 2005

	Major Funds				Total Governmental Funds
	General	Major Street	Local Street	Downtown Development Authority	
Revenue					
Property taxes	\$ 186,357	\$ -	\$ -	\$ 90,208	\$ 276,565
Licenses and permits	1,116	-	-	-	1,116
State sources	40,807	32,630	9,311	-	82,748
Local sources	5,000	-	-	-	5,000
Interest income	1,820	210	501	7,580	10,111
Rental income	12,819	-	-	-	12,819
Miscellaneous	7,230	-	-	-	7,230
Total revenue	255,149	32,840	9,812	97,788	395,589
Expenditures					
General government	97,023	-	-	4,422	101,445
Public works	197,720	58,518	13,250	-	269,488
Total expenditures	294,743	58,518	13,250	4,422	370,933
Excess of revenue over (under) expenditures	(39,594)	(25,678)	(3,438)	93,366	24,656
Other Financing Sources (Uses)					
Transfers in	146,198	12,500	-	86,093	244,791
Transfers out	(86,093)	-	-	(158,698)	(244,791)
Total other financing sources (uses)	60,105	12,500	-	(72,605)	-
Excess of revenue and other financing sources over (under) expenditures and other financing uses	20,511	(13,178)	(3,438)	20,761	24,656
Fund balances, beginning of year	175,344	22,909	55,005	893,533	1,146,791
Prior period adjustment	5,137	3,174	996	-	9,307
Fund balances, end of year	<u>\$ 200,992</u>	<u>\$ 12,905</u>	<u>\$ 52,563</u>	<u>\$ 914,294</u>	<u>\$ 1,180,754</u>

The notes to financial statements are an integral part of this statement.

Village of Metamora, Michigan

**Reconciliation of the Statement of Revenues
Expenditures and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended March 31, 2005**

Net change in fund balances, governmental funds \$ 24,656

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	187,485	
Depreciation expense	<u>(6,463)</u>	<u>181,022</u>

Change in net assets, governmental activities \$ 205,678

The accompanying notes are an integral part of these financial statements.

Village of Metamora, Michigan

Proprietary Funds
Statement of Net Assets
March 31, 2005

	Business type Activities - Enterprise Funds		
	Sewer Fund	Water Fund	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 88,440	\$ 37,207	\$ 125,647
Receivables:			
Accounts	6,084	5,712	11,796
Total current assets	94,524	42,919	137,443
Noncurrent assets:			
Restricted for debt retirement:			
Cash and cash equivalents	242,281	-	242,281
Long-term contracts	75,550	-	75,550
Accounts receivable	8,009	-	8,009
Total restricted assets	325,840	-	325,840
Capital assets, net	2,564,143	1,235,207	3,799,350
Unamortized bond costs	17,610	-	17,610
Total noncurrent assets	2,907,593	1,235,207	4,142,800
Total assets	3,002,117	1,278,126	4,280,243
Liabilities			
Current liabilities:			
Accounts payable	2,155	2,176	4,331
Accrued interest	16,400	-	16,400
Due to other funds	4,000	1,000	5,000
Revenues bonds payable, due within one year	15,000	-	15,000
Total current liabilities	37,555	3,176	40,731
Long-term liabilities:			
Advance from component units	-	108,536	108,536
Long-term debt, net of current portion	641,000	-	641,000
Total long-term liabilities	641,000	108,536	749,536
Total liabilities	678,555	111,712	790,267
Net Assets			
Investment in capital assets, net	1,908,143	1,235,207	3,143,350
Restricted for debt	309,440	-	309,440
Unrestricted	105,979	(68,793)	37,186
Total net assets	\$ 2,323,562	\$ 1,166,414	\$ 3,489,976

The notes to financial statements are an integral part of this statement.

Proprietary Funds
Statement of Revenue, Expenses, and Changes in Net Assets
Year Ended March 31, 2005

	Business type Activities - Enterprise Funds		
	Sewer Fund	Water Fund	Total
Operating Revenue			
Sale of water	\$ -	\$ 52,101	\$ 52,101
Sewage disposal charges	54,064	-	54,064
Debt service usage charges	67,518	-	67,518
Other	381	-	381
Total operating revenue	121,963	52,101	174,064
Operating Expenses			
Contracted services	29,261	30,290	59,551
Repairs	-	1,500	1,500
Supplies	3,602	1,211	4,813
Utilities	3,721	5,656	9,377
Administration	6,867	2,255	9,122
Depreciation	73,078	48,888	121,966
Total operating expenses	116,529	89,800	206,329
Operating income (loss)	5,434	(37,699)	(32,265)
Nonoperating Revenue (Expenses)			
Investment income	7,915	288	8,203
Interest expense	(29,897)	-	(29,897)
Total nonoperating revenue (expenses)	(21,982)	288	(21,694)
Income (loss) before capital contributions	(16,548)	(37,411)	(53,959)
Capital contributions			
Connection fees	45,000	18,000	63,000
Change in net assets	28,452	(19,411)	9,041
Net assets, beginning of year	2,295,110	1,185,825	3,480,935
Net assets, end of year	\$ 2,323,562	\$ 1,166,414	\$ 3,489,976

The notes to financial statements are an integral part of this statement.

Village of Metamora, Michigan

**Proprietary Funds
Statement of Cash Flows
March 31, 2005**

	Business type Activities - Enterprise Funds		
	Sewer Fund	Water Fund	Total
Cash flows from operating activities:			
Receipts from customers	\$ 120,978	\$ 51,966	\$ 172,944
Payments to suppliers	(42,360)	(40,984)	(83,344)
Net cash provided by operating activities	78,618	10,982	89,600
Cash flows from noncapital financing activities:			
Interfund activity	(3,000)	(5,500)	(8,500)
Cash flows from capital and related financing activities:			
User contributions	59,437	18,000	77,437
Paid to component unit on advance	-	(30,000)	(30,000)
Refunds	-	5,241	5,241
Principal paid on bond debt	(64,000)	-	(64,000)
Interest paid on bond debt	(35,574)	-	(35,574)
Net cash used by capital and related financing activities	(40,137)	(6,759)	(46,896)
Cash flows from investing activities:			
Investment income	7,915	288	8,203
Net increase (decrease) in cash and cash equivalents for the year	43,396	(989)	42,407
Cash and cash equivalents, beginning of year	287,325	38,196	325,521
Cash and cash equivalents, end of year	<u>\$ 330,721</u>	<u>\$ 37,207</u>	<u>\$ 367,928</u>

The notes to financial statements are an integral part of this statement.

Proprietary Funds
Statement of Cash Flows
March 31, 2005
(Continued)

	Business type activities - Enterprise Funds		
	Sewer Fund	Water Fund	Total
Reconciliation of net income (loss) to net cash provided by operating activities:			
Operating income (loss) for the year	\$ 5,434	\$ (37,699)	\$ (32,265)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	73,078	48,888	121,966
Amortization of bond costs	1,101	-	1,101
Change in assets and liabilities:			
Receivables	(985)	(135)	(1,120)
Accounts payable	(10)	(72)	(82)
Net cash provided by operating activities	<u>\$ 78,618</u>	<u>\$ 10,982</u>	<u>\$ 89,600</u>

**Fiduciary Funds
Statement of Net Assets
March 31, 2005**

	<u>Escrow Account</u>
Assets	
Cash and cash equivalents	<u>\$ 909</u>
Liabilities	
Accounts payable	<u>\$ 909</u>



NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Metamora conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the village and its component units. In evaluating the Village as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Village may be financially accountable and, as such, should be included within the Village's financial statements. The Village (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the Village. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component unit discussed below is included in the Village's reporting entity because of its operational or financial relationship with the Village.

Blended Component Unit

The financial statements of the following component unit has been "blended" with those of the Village because the component unit provides services entirely to the Village.

Downtown Development Authority – The members of the governing board of the Downtown Development Authority (DDA) are appointed by the Village Council. The budgets and expenditures of the DDA must be approved by the Village Council. The Village also has the ability to significantly influence operations of the DDA. Complete separate financial statements of the DDA are not prepared.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements distinguish between activities that are governmental and those that are business type activities. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The Village first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the Village's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Village does not allocate indirect costs. In creating the government-wide financial statements the Village has eliminated interfund transactions.

The government-wide focus is on the sustainability of the Village as an entity and the change in the Village's net assets resulting from current year activities.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting as are the proprietary funds.

The Village reports the following major governmental funds:

The *General fund* is the primary operating fund of the Village. It is used to account for all financial resources, except for those required to be accounted for in another fund.

The *Major Street Fund* is used to account for the maintenance and construction of the Village's major street system.

The *Local Street Fund* is used to account for the maintenance and construction of the Village's local street system.

The *Downtown Development Authority* assists the Village in financing improvements to the downtown areas.

The village reports the following major enterprise funds:

The *Sewer Fund* is used to account for the revenues and expenses for the operation of a sewer system.

The *Water Fund* is used to account for the revenues and expenses for the operation of a water system.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

Assets, Liabilities and Equity

Deposits and Investments

Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. For purposes of the statement of cash flows, the Village considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

Interfund Receivables and Payables

Generally, outstanding amounts owed between funds are classified as "due from/to other funds". These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Inventories and Prepaid Items

Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Village defines capital assets as assets with an initial individual cost in excess of \$1,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are capitalized if acquired after April 1, 2004. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	10 - 40 years
Machinery and equipment	7 - 10 years
Office equipment	5 years
Water and sewer distribution systems	10 - 50 years
Infrastructure	20 years

Long-term Obligations

In the government-wide financial statements and proprietary fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business type activities, or proprietary fund statement of net assets.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Eliminations and Reclassifications

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Property Taxes

Village property taxes become an enforceable lien on property as of July 1. Taxes are levied July 1 and are due without penalty on or before September 14.

The 2004 taxable valuation of the Village totaled \$19,323,881, on which ad valorem taxes levied consisted of 10.4711 mills for the Village's operating purposes.

The delinquent real property taxes of the Village are purchased by Lapeer County. The delinquent real property taxes are received before year end.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY***Budgetary Information***

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Village Clerk submits to the Village Council a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted by adoption of the Village Council.
4. Any revision that alters the total expenditures of any fund must be approved by the Village Council.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as originally adopted and amended by the Village Council is included in the required supplementary information.
7. All annual appropriations lapse at fiscal year end.

Excess of Expenditures Over Appropriations

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended March 31, 2005, the Village incurred expenditures in excess of the amounts appropriated as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund Activity:			
President Wages	\$ -	\$ 550	\$ 550
Dues	2,000	2,142	142
Assistant Clerk	3,500	3,524	24
Unemployment	50	1,238	1,188
Sidewalks	-	136,446	136,446
Streetscape	-	19,248	19,248
Major Streets:			
Routine Maintenance -			
Contractual	23,000	35,088	12,088
Snow removal supplies	4,200	5,140	940
Local Streets			
Snow removal supplies	2,800	3,184	384

3. DEPOSITS AND INVESTMENTS

The Village's deposits and investments at March 31, 2005 are included in the statement of net assets under the following categories:

	<u>Governmental Activities</u>	<u>Business type Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,062,864	\$ 125,647	\$ 1,188,511
Restricted cash and cash equivalents	-	242,281	242,281
	<u>\$ 1,062,864</u>	<u>\$ 367,928</u>	<u>\$ 1,430,792</u>

Deposits

The Village's cash accounts are maintained at one bank using accounts which "sweep" excess cash balances into Governmental Investment Funds. At March 31, 2005, the Village's deposits and investment balances were as follows:

	<u>Primary Government</u>	<u>Fiduciary Fund</u>
Deposits	\$ 202,792	\$ 909
Investments	1,228,000	-
	<u>\$ 1,430,792</u>	<u>\$ 909</u>

The bank balance of the Village's deposits at March 31, 2005 was \$198,815 all of which was covered by federal depository insurance.

Investments

State statutes authorize the Village to invest surplus funds in certificates of deposit, savings accounts and deposit accounts with banks and savings and loan associations which are members of FDIC, credit unions which are insured by NCUA, bonds, bills or notes of the United States, commercial paper rated within the 3 highest classifications established, United States or federal agency obligation repurchase agreements, bankers' acceptances and mutual funds composed entirely of the aforementioned investments that are legal for direct investment by a Village.

Investments are categorized into these three categories of credit risk:

Category 1 – Insured or registered, or securities held by the Village or its agent in the Village's name;

Category 2 – Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Village's name; and

Category 3 – Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Village's name.

At year end, the Village had \$1,228,000 on deposit with National City Bank in Municipal Investment Funds which are non-categorized.

4. RESTRICTED ASSETS AND BOND RESERVES

Sewer Revenue Bond

The Sewer Revenue bonds are to be repaid with revenues generated by user connection fees plus debt service charges of \$21 per customer per month. The system includes approximately 220 billable units. The Village is committed to maintaining the following reserves:

Bond reserve – quarterly deposits of \$1,875 are due until the balance is \$75,000.

Repair fund – quarterly deposits of \$350 are due until the balance is \$15,000.

As of March 31, 2005, the required balances in these accounts would be \$30,000 in the Bond reserve and \$9,800 in the Repair fund.

Although the Village has not maintained separate bank balances for each of these funds, it has deposited all connection fees collected and debt service charges in a separate bond retirement account which has a balance of \$242,281 at March 31, 2005. The cash funds and accounts receivable balance have been included in the Sewer Funds statement of net assets as restricted for debt service.

5. CAPITAL ASSETS

Capital assets activity for the year ended March 31, 2005 was as follows:

	Balance April 1, 2004	Additions	Retirements	Balance March 31, 2005
Governmental activities:				
Nondepreciable capital assets:				
Land	\$ 46,475	\$ -	\$ -	\$ 46,475
Construction in progress-infrastructure	-	155,694	-	155,694
Total nondepreciable capital assets	46,475	155,694	-	202,169
Depreciable capital assets:				
Buildings and improvements	63,436	-	-	63,436
Machinery and equipment	37,092	-	-	37,092
Office equipment	-	2,705	-	2,705
Infrastructure	-	29,086	-	29,086
Total depreciable capital assets	100,528	31,791	-	132,319
Accumulated depreciation	(57,577)	(6,463)	-	(64,040)
Depreciable capital assets, net	42,951	25,328	-	68,279
Capital assets, net	<u>\$ 89,426</u>	<u>\$ 181,022</u>	<u>\$ -</u>	<u>\$ 270,448</u>
Business type activities:				
Nondepreciable capital assets:				
Land	\$ 122,259	\$ -	\$ -	\$ 122,259
Depreciable capital assets:				
Sewer system	2,923,100	-	-	2,923,100
Water system	1,645,471	-	-	1,645,471
Total capital assets	4,568,571	-	-	4,568,571
Accumulated depreciation	(769,514)	(121,966)	-	(891,480)
Depreciable capital assets, net	3,799,057	\$ (121,966)	-	3,677,091
Capital assets, net	<u>\$ 3,921,316</u>	<u>\$ (121,966)</u>	<u>\$ -</u>	<u>\$ 3,799,350</u>

Depreciation expense was charged to functions as follows:

Governmental activities

General government	\$ 2,573
Public works	<u>3,890</u>
Total governmental activities	<u>\$ 6,463</u>

Business type activities

Sewer	\$ 73,078
Water	<u>48,888</u>
Total business type activities	<u>\$ 121,966</u>

6. LONG-TERM LIABILITIES

At March 31, 2005 long-term debt consists of the following obligation:

	Balance April 1, 2004	Additions	Retirements	Balance March 31, 2005	Due Within One Year
Business type activities					
1997 sewer revenue bonds, due annually in amounts ranging from \$15,000 to \$48,000, plus interest due semiannually at 5%	<u>\$ 720,000</u>	<u>\$ -</u>	<u>\$ 64,000</u>	<u>\$ 656,000</u>	<u>\$ 15,000</u>

The annual aggregate maturities for the obligations are as follows:

Fiscal Year	Principal	Interest	Total
2006	\$ 15,000	\$ 32,425	\$ 47,425
2007	16,000	31,650	47,650
2008	17,000	30,825	47,825
2009	18,000	29,950	47,950
2010	19,000	29,025	48,025
2011-2015	110,000	129,500	239,500
2016-2020	135,000	98,875	233,875
2021-2025	170,000	61,250	231,250
2026-2029	<u>156,000</u>	<u>14,900</u>	<u>170,900</u>
	<u>\$ 656,000</u>	<u>\$ 458,400</u>	<u>\$ 1,114,400</u>

7. RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the Village's governmental and business type activities in the aggregate are as follows:

	<u>Governmental Activities</u>	<u>Business type Activities</u>
Receivables:		
Taxes	\$ 5,282	\$ -
Accounts	-	19,805
Intergovernmental	9,432	-
Amounts due for utility connection fees	-	75,550
Total receivables	<u>\$ 14,714</u>	<u>\$ 95,355</u>
Accounts payable and accrued expenses:		
Accounts	\$ 8,410	\$ 4,331
Accrued taxes	1,950	-
Interest	-	16,400
Total accounts payable and accrued expenses	<u>\$ 10,360</u>	<u>\$ 20,731</u>

The accounts receivable are reported net of allowances for uncollectible accounts of \$2,000.

The amounts due for utility connection fees are due over a 40 year period and bear interest at 6.25% annually. The annual principal due under these agreements approximates \$3,000.

8. INTERFUND TRANSACTIONS

The composition of interfund receivable and payable balances at March 31, 2005 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Sewer Funds	\$ 4,000
General Fund	Water Fund	1,000
Downtown Development Authority	General Fund	3,391
		<u>\$ 8,391</u>

These balances resulted from a time lag between the dates that (1) interfund goods and services are provided, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund advance

Prior to 2004, the Metamora DDA advanced funds to the Village's Water Fund for the construction of a water well. The loan is being paid as funds are collected from water connection fees and is non-interest bearing. As of March 31, 2005, the DDA has advanced \$108,536 to the Water fund.

Interfund transfers reported in the fund statements were as follows:

<u>Funds Transferred From</u>	<u>Funds Transferred To</u>	<u>Amount</u>
General Fund	Downtown Development Authority	\$ 86,093
Downtown Development Authority	Major Street Fund	12,500
Downtown Development Authority	General Fund	<u>146,198</u>
		<u>\$ 244,791</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

9. COMMITMENTS

The Village's sidewalk project will be completed in the summer of 2005. To date, the Village has spent \$136,446 and completion costs are estimated at \$10,000. The Village's General Fund has paid the cost of this project and has been reimbursed by transfers from the Downtown Development Authority for these costs.

The Village is in the planning and design phase of a downtown streetscape project. Funding of approximately \$196,000 has been committed by the Department of Transportation. The Village will use Downtown Development Authority funds to finance the remaining project costs. Total spending on this project through March 31, 2005 was \$19,248, consisting of engineering and design costs, while the total project is expected to cost \$645,000.

10. RISK MANAGEMENT

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation).

The Village participates in the Michigan Municipal Liability and Property Pool (the "Pool") for workers' compensation and property risk. The Pool is a public entity risk pool providing property and liability coverage to its participating members. The Village pays an annual premium for its insurance coverage. The Pool is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies.

Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded the amount of insurance coverage in the past three fiscal years.

11. ECONOMIC DEPENDENCY AND CREDIT RISK

Concentrations

One taxpayer, a local manufacturer, accounts for approximately 20 percent of the Village's property tax revenue.

Credit Risk

The Village grants credit to its residents for water and sewer services.

12. PRIOR PERIOD ADJUSTMENTS

Change in Recognition of State Shared Revenues

Recognition of state shared revenue payments should agree with the State of Michigan's distribution periods. In prior years, the payment distributed in April for January/February collection period was recorded as revenue in the next year, or the year that it was received. In accordance with accounting principles generally accepted in the United States of America, this payment should be accrued to the prior year.

The effect of this adjustment on Governmental fund balances is as follows:

	<u>General Fund</u>	<u>Main Street Fund</u>	<u>Local Street Fund</u>
Fund balance, as previously stated, as of March 31, 2004	\$ 175,344	\$ 22,909	\$ 55,005
Add: State shared revenue that related to prior year	<u>5,137</u>	<u>3,174</u>	<u>996</u>
Fund balance, restated, as of March 31, 2004	<u>\$ 180,481</u>	<u>\$ 26,083</u>	<u>\$ 56,001</u>

Accounting Change

As of and for the year ended March 31, 2005, the Village implemented the following Governmental Accounting Standards Board pronouncements:

Statements

- No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*
- No. 37 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments:*
- No. 38 – *Certain Financial Statement Note Disclosures*

Interpretation

- No. 6 – Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements

The above pronouncements are all related to the new financial reporting requirements for all state and local governments.

The more significant of the changes required by the new standards include:

- Management's discussion and analysis;
- Basic financial statements that include:
 - Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;

- Fund financial statements, consisting of a series of statements that focus on a government's major governmental funds and enterprise funds;
- Schedules to reconcile the fund financial statements to the government-wide financial statements;
- Notes to the basic financial statements;
- Required supplementary information.

As a result of implementing these pronouncements for the fiscal year ended March 31, 2005, the following restatements were made to beginning fund balance and net asset accounts:

Government-wide Financial Statements

Beginning net assets for governmental activities was determined as follows:

Fund balances of general and special revenue funds as of March 31, 2004, as restated	\$ 1,156,098
Add: Governmental capital assets, including general fixed assets	147,003
Deduct: Accumulated depreciation as of March 31, 2004 on above governmental capital assets	<u>(57,577)</u>
Governmental net assets, restated, as of March 31, 2004	<u><u>\$ 1,245,524</u></u>

Fund Financial Statements

The beginning net assets of the enterprise funds were derived by aggregating the previously reported retained earnings and contributed capital of those funds.

REQUIRED SUPPLEMENTARY INFORMATION



Village of Metamora, Michigan

**General Fund
Budgetary Comparison Schedule
For the Year Ended March 31, 2005**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 180,000	\$ 180,000	\$ 186,357	\$ 6,357
Licenses and permits	1,180	1,180	1,116	(64)
State sources	40,500	40,500	40,807	307
Administration fees	6,000	6,000	5,000	(1,000)
Interest income	900	900	1,820	920
Rental income	14,000	14,000	12,819	(1,181)
Miscellaneous	1,000	1,000	7,230	6,230
Total revenue	243,580	243,580	255,149	11,569
Other financing sources				
Transfers from other funds	-	-	146,198	146,198
Total revenues and other sources	243,580	243,580	401,347	157,767
Expenditures				
General government:				
Council:				
President wage	-	-	550	(550)
Council wages and expenses	5,300	5,300	3,399	1,901
Audit	14,000	14,000	10,730	3,270
Legal	10,000	13,100	9,052	4,048
Capital outlay	5,000	5,000	-	5,000
Printing	1,800	1,800	782	1,018
Dues	2,000	2,000	2,142	(142)
Insurance	15,000	15,000	14,379	621
Transportation	700	700	343	357
Other	2,500	2,500	187	2,313
Total council	56,300	59,400	41,564	17,836
Election:				
Printing	120	120	113	7
Clerk:				
Wages-elected	19,656	19,656	19,539	117
Assistant clerk wage	3,500	3,500	3,524	(24)
Health insurance	1,900	1,900	1,424	476
Repairs	500	500	362	138
Supplies	2,500	2,500	1,875	625
Equipment	3,000	3,000	2,860	140
Dues	700	700	650	50
Other	945	845	27	818
Total clerk	32,701	32,601	30,261	2,340

Village of Metamora, Michigan

**General Fund
Budgetary Comparison Schedule
For the Year Ended March 31, 2005**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Treasurer:				
Wages-elected	10,920	10,920	10,840	80
Supplies	500	500	302	198
Printing	500	500	168	332
Bond	751	751	751	-
Repairs	100	100	-	100
Total treasurer	12,771	12,771	12,061	710
Assessor	100	100	100	-
Planning and zoning:				
Wages-board	1,600	1,600	1,290	310
Inspections	900	900	186	714
Printing and publishing	1,800	1,800	1,334	466
Professional services	17,000	17,000	10,064	6,936
Other	500	500	50	450
Total planning and zoning	21,800	21,800	12,924	8,876
Total general government	123,792	126,792	97,023	29,769
Public works:				
Sewer-water administration wages	10,238	10,238	10,163	75
DPW wages	17,000	17,000	12,158	4,842
Unemployment and other	-	50	1,238	(1,188)
Payroll taxes	5,500	5,500	4,785	715
Supplies	5,100	5,100	2,567	2,533
Street lighting	8,000	8,000	7,140	860
Utilities	4,200	4,200	3,691	509
Repairs	4,000	4,000	184	3,816
Sidewalk construction	-	-	136,446	(136,446)
Streetscape project	-	-	19,248	(19,248)
Other	10,050	10,000	100	9,900
Total public works	64,088	64,088	197,720	(133,632)
Total expenditures	187,880	190,880	294,743	(103,863)
Other financing uses				
Transfers to other funds	82,500	86,200	86,093	107
Total expenditures and other financing uses	270,380	277,080	380,836	(103,756)
Excess of revenues and other financing sources over (under) expenditures and other financing uses	\$ (26,800)	\$ (33,500)	\$ 20,511	\$ 54,011

Village of Metamora, Michigan

	Major Road Fund			Variance with
	Original Budget	Amended Budget	Actual	Amended Budget
Revenue				
Transfer from DDA	\$ -	\$ -	\$ 12,500	\$ 12,500
State sources	30,000	30,000	32,630	2,630
Interest income	125	125	210	85
Total revenue	30,125	30,125	45,340	15,215
Expenditures				
Public works:				
Routine maintenance, wages	2,000	2,000	-	2,000
Routine maintenance, supplies	2,000	2,000	1,391	609
Routine maintenance, contractual	15,000	23,000	35,088	(12,088)
Routine maintenance, other				
Traffic services, materials	8,600	8,600	8,591	9
Traffic services, other	250	250	-	250
Snow removal, supplies	2,700	4,200	5,140	(940)
Snow removal, contractual services	8,000	8,040	8,040	-
Snow removal, other	200	200	-	200
Administration	268	268	268	-
Total expenditures	39,018	48,558	58,518	(9,960)
Excess of revenue over (under) expenditures	(8,893)	(18,433)	(13,178)	5,255
Fund balance, beginning of year	22,909	22,909	22,909	-
Prior period adjustment	-	-	3,174	3,174
Fund balance, end of year	\$ 14,016	\$ 4,476	\$ 12,905	\$ 8,429

Special Revenue Funds
Budgetary Comparison Schedule
For the Year Ended March 31, 2005

Local Road Fund			
Original Budget	Amended Budget	Actual	Variance with Amended Budget
\$ -	\$ -	\$ -	\$ -
9,500	9,500	9,311	(189)
250	250	501	251
9,750	9,750	9,812	62
1,500	1,500	94	1,406
3,000	2,000	-	2,000
9,700	9,700	4,380	5,320
3,000	4,000	1,500	2,500
100	-	-	-
-	100	-	100
1,400	2,800	3,184	(384)
4,500	4,500	3,960	540
100	100	-	100
132	132	132	-
23,432	24,832	13,250	11,582
(13,682)	(15,082)	(3,438)	11,644
55,005	55,005	55,005	-
-	-	996	996
<u>\$ 41,323</u>	<u>\$ 39,923</u>	<u>\$ 52,563</u>	<u>\$ 12,640</u>

**Blended Component Units
Budgetary Comparison Schedule
For the Year Ended March 31, 2005**

Component Unit - Downtown Development Authority

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Captured taxes	\$ 156,490	\$ 156,490	\$ 176,301	\$ 19,811
Interest	3,000	3,000	7,580	4,580
Total revenue	159,490	159,490	183,881	24,391
Expenditures				
Public works	1,050,000	1,050,000	158,698	891,302
General government	7,000	7,000	4,422	2,578
Total expenditures	1,057,000	1,057,000	163,120	893,880
Excess of revenue over (under) expenditures	(897,510)	(897,510)	20,761	918,271
Fund balance , beginning of year	893,533	893,533	893,533	-
Fund balance, end of year	<u>\$ (3,977)</u>	<u>\$ (3,977)</u>	<u>\$ 914,294</u>	<u>\$ 918,271</u>

SUPPLEMENTARY INFORMATION

Village of Metamora, Michigan**Schedule of Bond Indebtedness
Sanitary Sewer System Revenue Bonds
Principal and Interest Obligation as of March 31, 2005**

<u>Maturity Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total</u>
05/01/2005	\$ 15,000	5.00%	\$ 16,400	\$ 31,400
11/01/2005		5.00%	16,025	16,025
05/01/2006	16,000	5.00%	16,025	32,025
11/01/2006		5.00%	15,625	15,625
05/01/2007	17,000	5.00%	15,625	32,625
11/01/2007		5.00%	15,200	15,200
05/01/2008	18,000	5.00%	15,200	33,200
11/01/2008		5.00%	14,750	14,750
05/01/2009	19,000	5.00%	14,750	33,750
11/01/2009		5.00%	14,275	14,275
05/01/2010	20,000	5.00%	14,275	34,275
11/01/2010		5.00%	13,775	13,775
05/01/2011	21,000	5.00%	13,775	34,775
11/01/2011		5.00%	13,250	13,250
05/01/2012	22,000	5.00%	13,250	35,250
11/01/2012		5.00%	12,700	12,700
05/01/2013	23,000	5.00%	12,700	35,700
11/01/2013		5.00%	12,125	12,125
05/01/2014	24,000	5.00%	12,125	36,125
11/01/2014		5.00%	11,525	11,525
05/01/2015	25,000	5.00%	11,525	36,525
11/01/2015		5.00%	10,900	10,900
05/01/2016	26,000	5.00%	10,900	36,900
11/01/2016		5.00%	10,250	10,250
05/01/2017	27,000	5.00%	10,250	37,250
11/01/2017		5.00%	9,575	9,575
05/01/2018	28,000	5.00%	9,575	37,575
11/01/2018		5.00%	8,875	8,875
05/01/2019	29,000	5.00%	8,875	37,875
11/01/2019		5.00%	8,150	8,150
05/01/2020	30,000	5.00%	8,150	38,150
11/01/2020		5.00%	7,400	7,400
05/01/2021	32,000	5.00%	7,400	39,400
11/01/2021		5.00%	6,600	6,600
05/01/2022	34,000	5.00%	6,600	40,600
11/01/2022		5.00%	5,750	5,750
05/01/2023	36,000	5.00%	5,750	41,750
11/01/2023		5.00%	4,850	4,850
05/01/2024	38,000	5.00%	4,850	42,850
11/01/2024		5.00%	3,900	3,900
05/01/2025	40,000	5.00%	3,900	43,900
11/01/2025		5.00%	2,900	2,900
05/01/2026	42,000	5.00%	2,900	44,900
11/01/2026		5.00%	1,850	1,850
05/01/2027	44,000	5.00%	1,850	45,850
11/01/2027		5.00%	750	750
05/01/2028	30,000	5.00%	750	30,750
	<u>\$ 656,000</u>		<u>\$ 458,400</u>	<u>\$ 1,114,400</u>

HYZER, HILL, KUZAK & CO., P.C.

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Bruce Hill
Donald Kuzak
Michael Doerr

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Village Council
Village of Metamora
Metamora, Michigan 48455

We have audited the general purpose financial statements of the Village of Metamora, Michigan, as of and for the year ended March 31, 2005, and have issued our report thereon dated July 20, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village of Metamora, Michigan's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Metamora, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the management and the Village Council and federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

Hyzer, Hill, Kuzak & Co. P.C.

July 20, 2005

HYZER, HILL, KUZAK & CO., P.C.

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July 20, 2005

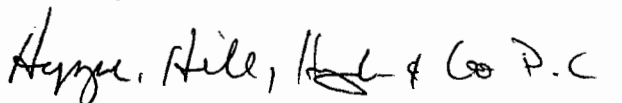
Village Council
Village of Metamora
48 E. High Street
P.O. Box 117
Metamora, MI 48455

In planning and performing our audit of the financial statements of the Village of Metamora for the year ended March 31, 2005, we considered the Village's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. We previously reported on the Village's internal control in our report dated July 20, 2005. This letter does not affect our report dated July 20, 2005, on the financial statements of the Village of Metamora.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Village personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,



Hyzer, Hill, Kuzak & Co., P.C.

Budgetary violations

We noted significant improvements in the Village's budgetary practices; however, there were several areas wherein actual expenditures exceeded amounts budgeted. The Village Council should review the budgetary status of all funds expenses on a monthly basis to ensure that spending does not exceed budgeted amounts.

Investment income

The Village cash deposits are earning interest at effective rates well below pass book amounts. These accounts are set up on a "sweep" basis whereby account balances in excess of a defined limit are "swept" into an interest bearing money market fund. The level at which funds are swept for the General Fund and Sewer Debt Fund is \$60,000 and \$80,000, respectively. This means that the Village maintains non-interest bearing balances of \$140,000 between these two funds. The Village Treasurer should contact bank management to set the sweep limits at more reasonable levels.

Customer checks

Checks received by the Village office from customers and transmitted to the Treasurer for ultimate depositing the remittance are not endorsed until the Treasurer receives and deposits them. We believe that the Clerk's office should stamp (endorse) the checks immediately upon receipt. We also noted that checks are sometimes held for extended periods prior to depositing. When the Treasurer is away for extended periods, we suggest that the Clerk's office make deposits.